# Insurance Department Fraud Division – Overview

## Insurance Fraud:

- Insurance Fraud is the 2nd most costly financial crime in the United States behind tax evasion
- Quickly becoming a crime of choice for organized criminals due to its low risk and high rewards
- Estimated Annual Loss – More than $120 Billion Dollars
    - $40 Billion – Property and Casualty (Source - FBI)
    - $80 Billion - Health Care Fraud (Source –FBI)
- Insurance Fraud impacts everyone
    - Each family pays an estimated $1,000 in increased premiums annually due to insurance fraud.
- 41 States have created Insurance Fraud Investigation units to combat Insurance Fraud
    - Many are funded through assessment to the Insurance Industry while others are funded through general taxpayer funds
    - Many have full law enforcement powers

## IFD Organization:

- In 1995 the legislature granted authority to Insurance Commissioner to investigate violations of the Insurance Fraud Act, and to employ certified law enforcement investigators. (31A-2-104)
- Funded through assessment to the Insurance Industry
    - Annual Assessment Revenues $1.9 million
- Authorized to recover investigative costs from those charged with insurance fraud
    - Annual Investigative Cost Revenues average $90,000
- The Fraud Division consists of
    - Director
    - 10 investigators
    - 3 support staff
    - 3 assistant attorney general prosecutors (via contract)
    - Located at 230 S. 500 E. suite 170

## Referrals:

- Referrals
    - Most referrals come from the Insurance Industry through Special Investigative Units (SIU's)
    - Other sources include: Law Enforcement, the public, and discovery by IFD investigators during other investigations
    - The IFD receives 750 referrals annually

## Types of cases investigated:

- Agent Fraud
  - Stealing premiums
    - Insurance agent fails to send premiums to the underwriter and instead keep the money for personal use.
  - Identity Theft
    - Insurance agent uses other persons ID to obtain better premium quotes for those with poor credit ratings. (increased business, qualify for bonuses and commissions)
  - Cross Border Sales
    - Selling insurance products not licensed in Utah (annuities, home warranties, etc.)
  - False Insurance Sales
    - Selling false insurance products to consumers (keeping premiums and issuing forged certificates of insurance)
    - Creating false policies to collect undue commissions and bonuses
  - Theft by Deception
    - Altering valid cancellation documents to predate the cancellation, resulting in refunds the agent then keeps
- Property and Casualty
  - Past Posting- claiming accident, damage, or loss occurred while insured when no policy was in place at time of incident
  - False vehicle thefts
  - False or inflated theft and burglary claims
    - False property loss claims
    - Adding false items or forging receipts to increase value of items stolen in a legitimate loss
  - Staged accidents
    - Paper accidents – using previously damaged vehicles
    - Intentionally causing real accidents with others at fault
    - Passenger jump ins – passengers not in car at time, claiming injury from the accident
  - False damage claims
    - Staged vandalisms
    - False or inflated damages due to disasters
  - False injury claims
    - Staged slip and fall accidents or items found in food
- Health Care
  - Doctor Shopping

        - Using insurance to pay for doctor visits and medications that are unnecessary or would not have been proscribed had doctor known of prior prescription
    - Billing for services not provided
        - Using equipment not possessed
        - For services or equipment not provided
        - Up coding a provided service to a higher level to increase insurance payments
        - Billing under another providers information to obtain higher payments than otherwise due
    - Performing unnecessary medical procedures
    - Workers Compensation Fraud
        - Working while collecting payments
        - False injuries while at work

## FY 2013 Results:

- Cases closed with Prosecution: 88
- Restitution Ordered: $758,822
- Restitution Collected for Victims: $516,928
- Investigative Costs recovered from defendants: $201,535